



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

SEP 28, 2000

MEMORANDUM

TO: Lee Fritschler
Assistant Secretary
Office of Postsecondary Education

FROM: Lorraine Lewis [**SIGNED**]

SUBJECT: FINAL AUDIT REPORT
Audit of the Student Support Services Project Administered by Mount Senario
College, Control Number ED-OIG/A05-A0003

Attached is our subject report presenting our findings and recommendations resulting from our audit of the Student Support Services project administered by Mount Senario College, Ladysmith, Wisconsin.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for the resolution of the findings and recommendations in this report.

If you have any questions or wish to discuss the contents of this report, please contact Gerald Michalski, Acting Regional Inspector General for Audit, Chicago, Illinois at 312-886-6503.

Please refer to the above audit control number in all correspondence relating to this report.

Attachment

**AUDIT OF THE STUDENT SUPPORT SERVICES PROJECT
ADMINISTERED BY MOUNT SENARIO COLLEGE,
LADYSMITH, WISCONSIN**

FINAL AUDIT REPORT



**Control Number ED-OIG/A05-A0003
September 2000**

Our mission is to promote the efficient
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U.S. Department of Education
Office of Inspector General
Chicago, Illinois

NOTICE

Statements that financial and/or managerial practices need improvement or recommendations that costs questioned be refunded or unsupported costs be adequately supported, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations on these matters will be made by the appropriate U.S. Department of Education officials. In accordance with the Freedom of Information Act (5 U.S.C. 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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Mount Senario College, Ladysmith, Wisconsin
Control Number ED-OIG/A05-A0003*

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UNITED STATES DEPARTMENT OF EDUCATION
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SEP 28, 2000

Control Number ED-OIG/A05-A0003

Norman Stewart, Ph.D., LL.D.
President
Mount Senario College
1500 College Avenue West
Ladysmith, Wisconsin 54848

Dear Dr. Stewart:

Enclosed is our final audit report entitled *Audit of the Student Support Services Project Administered by Mount Senario College, Ladysmith, Wisconsin*. The report incorporates the comments you provided in response to the draft audit report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final action on the audit:

Lee Fritschler
Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
Room 7115
1990 K Street, NW
Washington, D.C. 20006

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days of the date of this report would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available, if requested, to members of the press and the general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please contact Gerald Michalski, Acting Regional Inspector General for Audit, Chicago, Illinois at 312-886-6503. Please refer to the above audit control number in all correspondence relating to this report.

Sincerely,

[SIGNED]

Lorraine Lewis
Inspector General

Executive Summary

Mount Senario College (Mount Senario) of Ladysmith, Wisconsin, did not always administer its Student Support Services project (Project) according to Sections 402A and 402D of the Higher Education Act of 1965, as amended, and Title 34 Code of Federal Regulations (CFR) Parts 74, 75, and 646. Our audit of the Project for the period September 1, 1998, through August 31, 1999 (1998-1999 project year), disclosed that Mount Senario lacked adequate management controls, including written policies and procedures and an adequate system of financial management, over the Project. Due to the inadequate management controls, Mount Senario

1. used Federal funds to pay Project staff for services provided to non-Project participants,
2. could not account for all funds received,
3. could not support all achievements included in its performance report, and
4. enrolled students who did not meet the requirements to participate in the Project.

We recommend that the Assistant Secretary, Office of Postsecondary Education, require Mount Senario to

1. refund excess salary and fringe benefit costs of \$49,200,
2. refund \$11,680 in costs for which it could not provide supporting documentation,
3. implement its newly developed written policies and procedures for administering its Project, and
4. implement its newly developed written policies and procedures for operating an adequate system of financial management.

Auditee Comments

Mount Senario did not concur with finding number 1 or the recommended refund related to that finding. In its written response, Mount Senario stated that it served 216 students during the 1998-1999 project year. Mount Senario also stated that 198 of the 216 students were low-income students, first generation college students, or individuals with disabilities.

Mount Senario concurred with finding number 2 and finding number 3 and the corresponding recommendations. Finally, Mount Senario indicated that only 1 of the 30 students cited in our draft report (finding number 4) did not meet the requirements to participate in the Project. See **Appendix** for Mount Senario's written comments in their entirety. Because the supporting documentation Mount Senario provided included personal identifiers and was voluminous, we

Executive Summary

are forwarding the supporting documentation to the Assistant Secretary, Office of Postsecondary Education, under separate cover.

OIG Response

Based on comments received, we revised finding number 1. We revised our estimation method and lowered the recommended refund amount from \$64,550 to \$49,200.

We also made minor changes to the recommendations for all four findings to show that Mount Senario has developed written policies and procedures for its Project and its financial management system.

Audit Results

Mount Senario did not always administer its Project according to 34 CFR Parts 74, 75, and 646. Though Mount Senario's Project expenses did not exceed the approved budgeted amounts, Mount Senario could not demonstrate that it (1) claimed only allowable and adequately supported expenses, (2) accounted for and completely and accurately reported on the use of Project funds, and (3) provided services only to the number of eligible participants required under its agreement with the U.S. Department of Education.

Finding No. 1 Federal Grant Funds Used to Pay Project Staff for Services Provided to Non-Project Participants

Staff Paid for Services Provided to Non-Project Participants

Mount Senario used approximately \$98,400 of Federal funds to pay the salaries of 3 Project staff members. Approximately \$49,200 is attributable to the time the 3 staff members spent providing services and teaching remedial classes to non-Project participants. We defined a non-Project participant as a student not listed on Mount Senario's roster of 150 Project participants. Mount Senario also charged students, including eligible Project participants, tuition for the remedial classes.

During the Fall 1998 and Spring 1999 semesters, Mount Senario offered 4 different types of remedial classes (Basic English I, Basic English II, Basic Math I, and Basic Math II). It offered 2 Basic English I, 4 Basic English II, 2 Basic Math I, and 2 Basic Math II classes. Our review of class rosters disclosed that non-Project participants exceeded 50 percent of total enrollment in 7 of the 10 remedial classes offered during those 2 semesters. For example, 9 of 16 students enrolled in one of the Fall 1998 Basic English II classes were not Project participants. Also, 12 of 19 students enrolled in the Spring 1999 Basic Math II class were not Project participants. We also found that the Spring 1999 Basic English I and 1 of the Basic English II classes had no Project participants enrolled.

We could not review records documenting tutoring provided to Project participants because they were incomplete and in some cases non-existent. As an alternative, we interviewed the Project staff members who provided tutoring. Two of them estimated that about 50 percent of the students they served were not Project participants.

Federal Funds Used to Pay Project Staff for Services Provided to Non-Project Participants

34 CFR 646 Requires All Activities to Be Related to the Project's Objectives

Title 34 CFR 646.30 requires costs to be reasonably related to the objectives of the project. Such costs would include the cost of remedial classes, *provided the classes are limited to eligible Project participants* and participants are not charged tuition for classes paid for by the Project. Title 34 CFR 646.30, in part, further requires costs to be for services that have as their purpose the improvement of *participants'* academic progress. Additionally, Title 20 U.S.C. 1070a-14(c) states, in part, that, in approving applications for student support services projects under this chapter for any fiscal year, the Secretary requires an assurance that not less than two-thirds of the persons participating in the project be individuals with disabilities or low-income individuals who are first generation college students. The institution also must determine, for each participant in the project, that the participant has a need for academic support in order to pursue successfully a program of education beyond secondary school.

About \$49,200 in Salary and Fringe Benefit Costs Were Not Used to Advance the Project

Mount Senario employed 3 staff members (exclusive of the Project Director and Secretary) during the 1998-1999 project year. It used Project funds totaling \$98,400 to pay their salaries and related fringe benefits.

Given that Project staff taught remedial classes whose enrollment consisted of at least 50 percent non-Project participants, and given that Project staff estimated about 50 percent of the students they tutored were non-Project participants, we estimate that Project staff members spent approximately 50 percent of their work week providing services to non-Project participants. Given that Mount Senario charged the Project \$98,400 to cover the salaries and related fringe benefits of the 3 Project staff members, we consider approximately \$49,200 (50 percent of \$98,400) of the Project staff members' salaries and related fringe benefits were not used to advance the Project.

Federal Funds Used to Pay Project Staff for Services Provided to Non-Project Participants

Participants' Eligibility for Tutoring and Remedial Classes Was Not Determined Properly

Mount Senario's Admissions Committee reviewed the applications of incoming students. The Admissions Committee judgmentally determined which students needed tutoring and remedial classes. It sent these students to the Project office. Mount Senario did not ensure that only those students eligible to participate in the Project received tutoring or enrolled in the remedial classes.

RECOMMENDATIONS

We recommend that the Assistant Secretary, Office of Postsecondary Education, require Mount Senario to

1.1. refund \$49,200 in salary and related fringe benefit costs; and

1.2. implement its newly developed written policies and procedures to ensure that

remedial classes and tutoring funded under the Project are limited to eligible participants only;

students are not charged tuition for remedial classes paid from grant funds; and

at least two-thirds of the students served with Project funds are low-income and first generation college students or individuals with disabilities.

Auditee Comments

Mount Senario did not concur with the finding or with recommendation 1.1., stating that it served 216 students during the 1998-1999 Project year. It stated that 198 of the 216 students were low-income, first generation, or individuals with disabilities. Mount Senario stated that it served 48 more eligible participants than the 150 it agreed to serve. It also stated that it did not intentionally charge students tuition for remedial classes, claiming that it only charged 1.6 percent of the students tuition for their remedial classes. As a result, Mount Senario asked that the recommended refund be waived.

Federal Funds Used to Pay Project Staff for Services Provided to Non-Project Participants

Auditor Response

We made changes to the finding and recommendations based on comments received. However, after reviewing Mount Senario's written comments, we did not eliminate the finding. We also do not agree with waiving the recommended refund. Mount Senario claimed that of the 216 students it identified as served by the Project during the project year, 198 were eligible as low-income, first generation, or individuals with disabilities. This statement may be true, but it does not address the program requirement that two-thirds of the persons participating in the project be low-income individuals who are first generation college students or individuals with disabilities. Of the 216 students it claims it served during the Project year, Mount Senario identified only 111 (or about 51 percent) who were low-income individuals who were also first generation college students or individuals with disabilities.

On the roster it provided us during our field work, Mount Senario only included 150 students as Project participants because it would only meet the two-thirds requirement if it limited participation to approximately that many students. Additionally, in its response to the draft audit report as in its response to the finding point sheet we provided to it on February 10, 2000, Mount Senario did not provide documentation showing that it made a determination of need for each of the 198 students it now claims were eligible to participate in the Project.

Regarding tuition, the College submitted only a narrative description, stating that 121 students took remedial classes and only 1.6 percent were charged tuition. However, it provided no evidence to support this assertion.

Finding No. 2

Documentation Did Not Support Use of All Federal Grant Funds

Mount Senario Could Not Provide Records to Support All Costs Charged to the Project

The U.S. Department of Education awarded Mount Senario \$187,200 for the 1998-1999 project year. Mount Senario received the entire \$187,200. However, it could only provide us with receipts and records to support expenses of \$175,520.

Title 34 CFR 74.21 requires financial management systems that provide for records that adequately identify the source and application of funds. Also, Title 34 CFR 74.73(a) states that any funds paid to a recipient in excess of the amount to which the recipient is finally determined to be entitled under the terms and conditions of the award constitute a debt to the Federal Government.

Mount Senario Could Not Demonstrate \$11,680 Used to Advance the Project

Mount Senario could only provide support for Project expenses of \$175,520 (\$162,519 in direct expenses and \$13,001 in related indirect expenses). Therefore, Mount Senario cannot demonstrate that it used the difference of \$11,680 (\$187,200-\$175,520) to advance the Project.

Inadequate Financial Management System Did Not Clearly Identify Sources and Applications of Grant Funds

Mount Senario did not have a financial management system that clearly identified the sources and applications of grant funds. For example, the salary costs per the accounting records (\$129,359) were \$5,381 less than the salary costs per the approved budget (\$134,740). Additionally, in its report on the audit of Mount Senario's financial statements as of and for the year ended June 30, 1998, Mount Senario's independent audit firm noted significant deficiencies that could adversely affect Mount Senario's ability to record, process, summarize, and report financial data.

RECOMMENDATIONS

We recommend that the Assistant Secretary, Office of Postsecondary Education, require Mount Senario to

- 2.1. refund \$11,680; and
- 2.2. implement its newly developed written policies and procedures for a financial management system that

Documentation Did Not Support Use of All Federal Grant Funds

1. clearly identifies the sources and applications of grant funds; and
2. ensures maintenance of receipts or other records that clearly support all outlays related to the Project.

Auditee Comments

Mount Senario concurred with the finding and the recommendation to develop and implement an adequate system of financial management. It did not disagree with the recommended refund. In its response, Mount Senario provided a copy of the policies and procedures manual for financial management that it created in August 2000.

Auditor Response

We made a minor change to the recommendation to reflect that Mount Senario has developed written policies and procedures. If Mount Senario follows its new manual, management will have reasonable assurance that the Project is complying with Federal regulations.

Finding No. 3

Documentation Did Not Support Achievement of All Objectives

Documentation Was Not Sufficient to Show Achievement of All Objectives

Mount Senario's grant proposal outlined 12 objectives that it would achieve during the Project period. In its performance report dated November 15, 1999, Mount Senario reported achieving 11 objectives and partially achieving 1 objective. However, the documentation Mount Senario provided was not sufficient to show that Mount Senario achieved 8 of the 12 objectives.

Title 34 CFR Parts 74.51(d)(1) and (2) state, in part, that performance reports must generally contain a comparison of actual accomplishments with the goals and objectives established for the period and the reasons why the recipient did not meet established goals, if appropriate. Also, Title 34 CFR 74.51(a) states, in part, that recipients are responsible for managing and monitoring each project, program, sub-award, function, or activity supported by the award. Finally, Title 34 CFR Parts 75.732(a) and (b)(1) state, in part, that a grantee shall keep records of significant project experiences and results. The grantee shall use the records to determine progress in accomplishing project objectives.

U.S. Department of Education Did Not Have Sufficient Information to Determine Appropriate Funding

The U.S. Department of Education awarded Mount Senario \$187,200 for the 1998-1999 project year to provide services to Project participants through 12 objectives. During the 1998-1999 project year, Mount Senario could only provide evidence that it achieved 4 objectives. Title 34 CFR 74.62 states that if a recipient materially fails to comply with the terms and conditions of an award, the Secretary may, among other actions, wholly or partly suspend or terminate the current award or withhold further awards for the project.

Controls Over Monitoring and Maintenance of Documentation Needed Strengthening

Mount Senario's former Project Director resigned in August 1999. In October 1999, a new Project Director reported for duty. The former Project Director and Mount Senario officials responsible for overseeing the Project did not closely monitor the progress toward achieving the Project's objectives. Also, Mount Senario did not have written policies and procedures for administering the Project. Consequently, the Project office did not

Documentation Did Not Support Achievement of All Objectives

consistently compile documentation to support achievement of objectives. The Project Director told us he has instituted new procedures.

RECOMMENDATIONS

We recommend that the Assistant Secretary, Office of Postsecondary Education, require Mount Senario to

- 3.1. implement its newly developed written policies and procedures for administering its Project;
- 3.2. maintain documentation, as described in its grant proposal, to support every objective it reports as achieved; and
- 3.3. ensure that all the information in its annual performance report is accurate and supported fully.

Auditee Comments

Mount Senario concurred with the finding and recommendations. With its written response, Mount Senario provided a copy of the Student Support Services policies and procedures manual it developed in August 2000.

Auditor Response

We made a minor change to the recommendation to reflect the newly developed policies and procedures manual. If Mount Senario follows its new manual, management will have reasonable assurance that the Project is complying with Federal regulations.

Finding No. 4

Ineligible Students Enrolled in the Project

Ineligible Students Registered As Project Participants

Mount Senario registered students as Project participants who did not qualify as low-income or first generation college students or individuals with disabilities. We reviewed records for 30 randomly selected participants (from a universe of 150). Mount Senario enrolled 2 of the 30 (6.7 percent) participants in the Project even though they had incomes in excess of the low-income amounts established for the TRIO programs, were not first generation college students, and were not individuals with disabilities.

Title 34 CFR 646.3 states, in part, a student is eligible to participate in a Student Support Services project if the student is (1) a low-income individual (as defined by the TRIO program), (2) a first generation college student, or (3) an individual with disabilities. Title 34 CFR 646.32(a)(2) states that a grantee shall determine the low-income status of an individual on the basis of the documentation described in section 402A(e) of the Higher Education Act.

Serving Ineligible Participants Keeps Mount Senario from Using Funds to Serve Eligible Participants

Mount Senario received \$187,200 for the 1998-1999 Project year. Applying our sample rate of 6.7 percent of the population being ineligible to participate in the Project, Mount Senario might have used \$12,542 to serve students who were not eligible for services under the Project. Enrolling ineligible participants prevents Mount Senario from serving eligible participants. Title 34 CFR 646.20(a)(2)(i) states that the U.S. Department of Education evaluates the applicant on prior experience in delivering services under the grant. Had the U.S. Department of Education known Mount Senario was serving ineligible participants during the 1998-1999 project year, it might not have funded the 1999-2000 grant in its entirety.

Controls Were Not in Place to Verify Participants Status

The Financial Aid office determined each participant's eligibility to participate in the Project under the low-income requirement. The Project office could access the financial aid records through Mount Senario's computer system. However, neither the Project nor the Financial Aid office verified that computerized information agreed with source documentation.

RECOMMENDATIONS

We recommend that the Assistant Secretary, Office of Postsecondary Education, require Mount Senario to

- 4.1. implement its newly developed written policies and procedures to ensure that participants enrolled in the Project meet the eligibility requirements, and
- 4.2. maintain documentation that supports each participant's eligibility status.

Auditee Comments

Mount Senario did not concur with the finding, stating that only one of three participants cited in the draft audit report was ineligible. It also stated that it took corrective action and developed policies and procedures for the Student Support Services project. With its written response, Mount Senario included the policies and procedures manual it developed in August 2000.

Auditor Response

Based on Mount Senario's comments, we revised the finding and recommendation. We reviewed the documentation Mount Senario previously provided. Based on the financial aid and Project information we were previously provided, 2 of the 3 participants cited in the draft audit report were ineligible to participate in the Project because they were not low-income individuals or first generation college students. Therefore, we indicated that 2 of 30 participants in our sample were ineligible. We also revised the recommendation to reflect that, subsequent to our draft audit report, Mount Senario developed written policies and procedures.

If Mount Senario follows its new manual, management will have reasonable assurance that the Project is complying with Federal regulations.

Background

Mount Senario College

Mount Senario is an independent, four-year private non-sectarian liberal arts college for men and women in Ladysmith, Wisconsin. Mount Senario is accredited by the North Central Association of Colleges and Schools and is approved by the Wisconsin Department of Public Instruction.

The Student Support Services Program

For the 1998-1999 project year, Mount Senario received a Student Support Services grant award of \$187,200 (Grant number PO42A70311-98). The grant provides funds for projects designed to (1) increase college retention and graduation rates for eligible students, (2) increase the transfer rates of eligible students from two-year to four-year institutions, and (3) foster an institutional climate supportive of the success of low-income and first generation college students and individuals with disabilities. At least two-thirds of the participants must be individuals with disabilities or individuals from low-income families who are first generation college students.

Sections 402A (Federal TRIO Programs) and 402D (Student Support Services) of the Higher Education Act of 1965, as amended [20 U.S.C. 1070a-11 and 14], authorize this program. The program also is governed by the regulations codified in Title 34 CFR Parts 74, 75, and 646. All regulatory citations in the report are to the codification in effect as of July 1, 1998.

Objectives, Scope, and Methodology

Objectives and Scope

The objectives of our audit were to determine whether, for the period September 1, 1998, through August 31, 1999, Mount Senario

1. accounted for and completely and accurately reported on the use of Project funds;
2. claimed only expenses that were allowable and adequately supported;
3. claimed expenses that did not exceed the approved budgeted amounts; and
4. demonstrated that it provided only eligible services to the number of eligible participants required under its agreement with the U.S. Department of Education.

Methodology

To achieve our objectives, we interviewed selected Mount Senario personnel. We also reviewed

1. background information such as the school catalog and organization chart;
2. the audit report prepared by Mount Senario's independent public accountant for the period July 1, 1996, through June 30, 1998;
3. bank statements;
4. accounting records related to Mount Senario's system for requesting, accounting for, and using grant funds;
5. administrative records related to Mount Senario's selection of eligible project participants and submission of required reports;
6. documents supporting all non-payroll expenditures that exceeded \$100; and
7. 30 (of 150) randomly selected Project participant records.

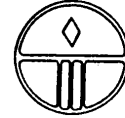
We conducted field work at Mount Senario in Ladysmith, Wisconsin, during the period November 3, 1999, through February 4, 2000. We conducted the audit according to government auditing standards appropriate to the scope of review described.

Statement on Management Controls

System of Management Controls Was Unreliable

We reviewed Mount Senario's management controls over its administration of the Project. Specifically, we reviewed controls over (1) requesting, accounting for, and using Project funds; (2) determining the eligibility of services rendered; (3) selecting Project participants; and (4) submitting required reports. Our assessment disclosed significant management control weaknesses that adversely affected Mount Senario's ability to administer the Project. These weaknesses included nonexistent written procedures, an inadequate financial management system, and deficient file maintenance procedures. These weaknesses and their effects are discussed in the **Audit Results** section of this report.

AUDITEE COMMENTS



MOUNT SENARIO
COLLEGE

OFFICE OF THE PRESIDENT

August 22, 2000

Kenneth R. Luhring
Acting Regional Inspector
Office of the Inspector General
U.S. Department of Education
111 North Canal Street, Suite 940
Chicago, IL 60606

RE: Control Number ED-OIG/A05A0003

Dear Mr. Luhring:

The Student Support Services Project at Mount Senario College (MSC) has provided beneficial services to eligible students for 16 years, and this Project continues to be very important to the current and future eligible students who attend MSC.

We have always appreciated the assistance of the U.S. Department of Education and of the Director and Staff of the Federal TRIO Programs, and we appreciate and respect this audit process. The audit process has had a salutary effect in providing us with the opportunity to review the Student Support Services Project carefully and to take steps to improve the MSC policies and procedures. MSC is deeply committed to following all the guidelines, and we are committed to providing the best possible Project and service to eligible students.

Even though there were errors in administering and documenting the Project during 1998-99, Mount Senario College was operating in accordance with 34CFR646.1 in efforts to "Foster an institutional climate supportive of the success of low-income, first-generation, and disabled students."

We have carefully reviewed the Student Support Services enrollment records and the financial aid records (Student Aid Report or Income Tax forms 1040 or 1040A) for all the students in the Basic Math and English classes, in tutoring sessions, and the other participants in the Project. Of the 216 students who received one or more services, we found that 198 were eligible as low income, first generation, or as an individual with a disability. Only 18 ineligible students, or 8%, were served.


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Although there were errors made in enrolling and documenting Project participants in 1998-99, there was never any willful disregard of the purposes of the grant funding. The MSC Student Support Services Project did serve the 150 eligible students designated in the grant. In fact, 48 additional eligible students, or an additional 38%, received remedial instruction or tutoring. Therefore, we request that the refund specified in Finding No. 1 be waived.

In responding to Finding No. 2, we cannot change the documentation mistakes made in 1998 and 1999. However, we contend that the mistakes were not made with any intention to misappropriate grant funds. In conceding that mistakes were made in the procedures and documentation, we will concur with the refund recommended for Finding No. 2. As part of our response, we have also developed the recommended financial management system with policies and procedures to prevent such mistakes in the future.

We are attaching a response and relevant documentation for Finding Numbers 1 through 4 of the draft audit report. Please let us know if you need any additional information.

Thank you for giving Mount Senario College the opportunity to respond to the draft audit report. We appreciate your assistance, and we look forward to hearing from you.

Sincerely,

Norman Stewart, Ph.D., LL.D.
President

Enclosures

RE: Control Number ED-OIG/A05A003

Finding No. 1: *Federal Grant Funds Used to Pay Project Staff for Time Not Spent on Project Activities.*

We do not concur with this finding or with the recommendation (1.1) that Mount Senario College (MSC) . . . refund \$64,550 in salary and related fringe benefit costs.

In 1998-99 there was staff turnover that resulted in the naming of an Acting Director of Student Support Services. Apparently as a result of that, some of the usual policies and procedures may not have been followed to ensure that students receiving services were Project participants and that adequate documentation of participants and activities would be maintained.

There were some students enrolled in grant-funded classes, tutoring or other services who were not eligible. However, our records do indicate that a high percentage of students receiving services were eligible as low income, first generation, or an individual with a disability. Of the 216 students who participated in some aspect of the Project, including a remedial class or tutoring, 198 were eligible. Therefore, the MSC Student Support Services Project did serve the required 150 eligible students. In addition, there were 48 other eligible students who took a class or received tutoring.

Therefore, the grant funds were used to pay project staff for time spent on Project activities in that the activities were serving students who were "eligible to participate" because they were low income, first generation, or individuals with disabilities. In view of this, we request that the refund be waived.

In response to the fact that some ineligible students received tutoring or remedial instruction, the Acting Director may have misunderstood the intent of 34CFR Sec. 646.4 states that a Student Support Services Project may provide "*(j) Programs and activities as described in paragraphs (a) through (i) of this section that are specifically designed for students of limited English proficiency.*" This may partially explain why there were thirteen (13) students in remedial classes or tutoring who were not eligible as participants because they were not citizens or nationals of the United States.

We are attaching lists that indicate the eligibility of students in tutoring and each of the remedial classes. We are also attaching documentation to demonstrate that Mount Senario College and the Student Support Services Project now have in place the policies and procedures to ensure that classes and tutoring paid for with Project funds are limited to eligible participants only.

In addition, Mount Senario College did not intentionally charge participants tuition for the remedial classes. Full time students taking at least 12 hours are charged a flat rate for tuition. Of the 121 students in Basic English and Math classes in 1998-1999, only two were part time at the beginning of the semester. These two were initially enrolled for less than 12 hours and charged for per credit tuition. It is true that they should not have been charged for the Basic classes. However, this is an error rate of 1.6%

RE: Control Number ED-OIG/A05A0003

Finding No. 2 and Finding No. 3: We concur with Finding Numbers 2 and 3, and we have taken the corrective actions recommended. In response to Finding No. 2, we do not disagree with the refund amount mentioned. We are attaching a copy of a new Policies and Procedures Manual for the Financial Management of the Student Support Services Project. In response to Finding No. 3, we are attaching the newly compiled Student Support Services Staff Manual that includes guidelines and objectives for the Project as well as other procedures. We have a new Project Director and staff with more experience. They are committed to operating an exemplary Project in 2000-20001 and to maintaining appropriate documentation.

Finding No. 4: *Ineligible Students Enrolled in the Project.* We have taken corrective actions and have policies and procedures to ensure that participants enrolled in the project meet eligibility requirements and that we will maintain appropriate documentation. However, we do not concur with the example cited by the auditors. This finding states that 3 of the 30 randomly selected students did not qualify. Our records indicate that two (2) of the three (3) students the auditors cited were eligible based on the following:

██████████--contrary to the auditor's statement, the financial aid file made available to the auditor shows that █████ family taxable income was \$22, 659 with 4 in the family, so █████ should have been considered eligible as low income.

██████████--Although █████ was not eligible as a low-income student, █████ record in the Student Support Services office indicates that █████ registered as an individual with a disability.

██████████--██████████ was not eligible as a low-income student and apparently the Student Support Services Project staff had made an error in registering █████ as a participant,, but this is one rather than three out of thirty.

Please review the class listings of students attached. These are lists of the Basic Math or English courses taught, the students enrolled in each course, and the eligibility criteria that we have been able to document. We have also included the percentages of those who were eligible students and those who were ineligible, according to the criteria for the Student Support Services Project.

We understand that it is vital that every effort be made to correct any inappropriate procedures with regard to financial management, eligibility documentation, and course enrollment. Accordingly, we have developed or revised policies and procedures to ensure the proper operation of the Student Support Services Project at MSC during the present year. We are also committed to following the guidelines for operating the Project in future years.

Student Support Services Project
Mount Senario College

The following pages contain the list of all the students who were in Basic English or Math Classes, tutoring, or otherwise participated in the Project activities or services in 1998-99. Of the 216 students listed, there are 198 who were eligible to participate, and 18 (8%) who were not eligible. Therefore, the project did serve the projected 150 eligible students, and an additional 48 eligible students received either tutoring or remedial instruction.

The asterisk (*) denotes the student is one of 13 students who is not a citizen or national. The double asterisk (**) denotes the student is a citizen or national, but is one of the 5 other students who are not eligible as low-income, first generation, or an individual with a disability.